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May 2, 2006

BY CM/ECF

The Honorable Gregory M. Sleet
844 North King Street
Lock Box 19
Wilmington, DE 19801

Re: Abbott Diabetes Care, Inc. v. DexCom, Inc.
Civil Action No. 05-590 GMS

Dear Judge Sleet:

I write on behalf of DexCom to advise the Court of a factual development that renders moot Abbott's remaining argument in opposing DexCom's motion to stay this case pending reexamination of all four asserted patents.[1] (D.I. 25).

During an April 19, 2006 conference call, Abbott informed its investors that it no longer seeks "replacement approval" from the FDA for its own continuous glucose monitor. (Exh. A). Instead, Abbott now seeks "adjunct approval" from the FDA, which is the same approval the FDA granted DexCom's STS device last month. Abbott explained the distinction in its Answering Brief to DexCom's Stay Motion:

> Moreover, the fact that DexCom is seeking adjunct approval instead of replacement approval also threatens to spoil the market. In the context of glucose monitoring, adjunct approval means that the medical device has not gone through sufficiently rigorous clinical studies that the FDA feels comfortable allowing it to be used alone to test for glucose levels. Instead, the FDA requires that patients using DexCom's device will also have to use finger-sticking, the current most common monitoring method. The distinction between devices approved or not approved to replace traditional finger-stick therapy is significant. If patients are told they cannot rely on continuous monitoring systems, patients may think that the method is inadequate, thereby tainting the technology as inferior.

Answering Brief at 15-16 (citations omitted). (D.I. 32)

[1] On February 22, 2006, DexCom filed a Motion to Stay this litigation pending completion of the Patent Office's reexamination of the four asserted patents. At the time DexCom filed its Motion to Stay, the Patent Office had yet to order reexamination of the asserted patents. On March 29, 2006, DexCom notified the Court that the United States Patent office has now ordered reexamination of all four of Abbott's asserted patents, determining that prior art presents "substantial new questions of patentability" as to each. (D.I. 46).

In its Answering Brief, Abbott represented that it was seeking and in approximately ten months expected to receive "replacement" approval for its product, the FreeStyle Navigator. Abbott argued a stay would deny Abbott the chance to seek an injunction to block DexCom's product launch, and that the absence of an injunction would forever taint the market for continuous glucose monitors because DexCom's "first to market" device would carry only adjunct, rather than replacement, approval.

Recent events have made Abbott's argument moot. On March 24, 2006, Abbott advised the Court that it "does not intend to seek a TRO or a preliminary injunction at this time." (D.I. 45). On March 28, 2006, DexCom commercially launched its STS device, making it available to patients throughout the United States. Then, on April 19, 2006, Abbott announced that its own device (if approved) will carry the same adjunct approval and restrictions on use as DexCom's STS device, despite the fact that one month ago, Abbott represented that permitting DexCom to launch a continuous glucose monitor with "only" adjunct approval would irremediably damage the market and harm patients.

Abbott now has no rationale for proceeding with this case while the four asserted patents are reexamined by the PTO. Its actions confirm that the case should be stayed pending completion of the reexaminations to simplify the issues for trial, conserve the resources of the Court and parties, and avoid inconsistent rulings or advisory opinions.

Respectfully,

John W Shaw for Josy W Ingersoll

Josy W. Ingersoll

JWI:kms

cc: Clerk of the Court (by hand delivery)
Mary B. Graham, Esquire (by e-mail)
James F. Hurst, Esquire (by e-mail)
David C. Doyle, Esquire (by e-mail)
Drew Woodmansee, Esquire (by e-mail)

EXHIBIT A

FINAL TRANSCRIPT

Thomson StreetEvents℠

ABT - Q1 2006 Abbott Laboratories Earnings Conference Call

Event Date/Time: Apr. 19. 2006 / 9:00AM ET

CORPORATE PARTICIPANTS

John Thomas
Abbott Laboratories - VP IR

Tom Freyman
Abbott Laboratories - EVP Finance & CFO

CONFERENCE CALL PARTICIPANTS

Rick Wise
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PRESENTATION

Operator

Good morning and thank you for standing by. Welcome to Abbott's first quarter 2006 earnings conference call. [OPERATOR INSTRUCTIONS] I would now like to introduce Mr. John Thomas, Vice President, Investor Relations. Thank you. Sir, you may begin.

John Thomas - *Abbott Laboratories - VP IR*

Good morning and thanks for joining us. On today's call, joining me will be Tom Freyman, our Executive Vice President, Finance and Chief Financial Officer. Tom is going to review the first quarter financial results and I will discuss business operating highlights. Following our comments, we'll take any questions as always that you may have. Some statements made today may be forward-looking for the purposes of the Private Securities Litigation Reform Act of 1995. Abbott cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in exhibit 99.1 of our Securities & Exchange Commission form 10-Q for the quarter ended December 31, 2005 and are incorporated by reference.

We undertake no obligation to release publicly any revisions to forward-looking statements as a result of subsequent events or developments. In today's conference call, as we have in the past, non-GAAP financial measures will be used to help investors understand our ongoing business performance. These include such things as earnings per share, gross margin, R&D and SG&A, each excluding specified items in stock compensation expense. In accordance with the SEC's regulation G and in line with Abbott's standard reporting practice, these non-GAAP financial measures are reconciled to the comparable GAAP financial measures in our earnings release in Q&A, which we issued this morning and is available on our website. With that, let me turn the call over to Tom. Tom?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Thanks, John. Good morning, everyone. For the first quarter we reported ongoing diluted earnings per share of $0.57 including the impact of stock compensation expense which was $0.07 in the quarter or $0.64 excluding this impact. The $0.57 was within our previous guidance range. Sales increased nearly 8% when adjusted for the Boehringer Ingelheim or BI distribution agreement and before an unfavorable 2.7% effective exchange rates. I'd note that if current exchange rates were to hold, the first quarter would be our most difficult exchange comparison to the prior year. Reported sales were down 3.7% due to the BI effect and exchange. Sales performance in the quarter was led by growth in a number of key products and businesses, including double digit growth for many of our medical products businesses and continued strength in our core pharmaceutical brands such as HUMIRA, TriCor and Kaletra.

Before I move on to the remainder of the P&L, I wanted to highlight two items. First, this quarter we implemented a change in our operating structure. Our international nutrition business, which was formerly part of Abbott International, has been realigned as a new division, Abbott Nutrition international or ANI. As a result, the sales will be reported separately for ANI and Abbott International, which is now focused solely on pharmaceuticals. This change in operating structure will enhance the strategic focus of this large and rapidly-growing business, positioning it to maximize the many opportunities in nutritional markets around the world. Notably, ANI growth was 18% in the quarter. We're also expanding our nutritional plant capacity in Asia to support future growth, particularly in China. Second, this quarter we implemented required new accounting rules for stock compensation expense as did most other companies. Since this new P&L charge impacts cost of sales, R&D and SG&A the comparisons for the prior year for these expense categories when no such expense was recorded are not meaningful. I'll therefore focus my comments on these expenses excluding stock compensation expense.

Gross margin ratio this quarter improved approximately 500 basis points from the prior year to 58.5% consistent with our forecast. This margin expansion includes the positive effect of the amended BI agreement. Both SG&A and R&D investment increased mid single-digits, in line with our forecast for the quarter and on track with our full year outlook of mid to high single-digit growth in both expense categories. Income from the TAP joint venture this quarter was $101 million meeting our expectations. Our forecast for full year income from TAP of 450 to $475 million remains unchanged. Tax rate this quarter was 23.8%, a modest improvement from the prior year and also in line with previous guidance. Cash flow remains strong with operating cash flow of $1.2 billion in the quarter. Regarding guidance for the full year 2006, we're confirming our ongoing earnings per share guidance range of $2.51 to $2.57 and, for the first time, we're providing ongoing earnings per share guidance for the second quarter of $0.59 to $0.61, both including the impact of stock compensation expense.

This guidance does not include the impact of the pending Guidant vascular acquisition. We look forward to closing this transaction shortly. We'll have a special conference call after the close to provide investors with additional information regarding the acquisition including the financial impact. Rick Gonzalez will join us for that call. With that, let's turn to the business operating highlights. John?

John Thomas - *Abbott Laboratories - VP IR*

Thanks, Tom. I'm going to begin with our pharmaceutical business where HUMIRA worldwide sales were up nearly 40% in the first quarter, on track to meet our full year sales forecast of more than $1.9 billion. I would also note that we expect second

quarter growth for HUMIRA to normalize into the mid 40s in line with script growth. International sales in the first quarter were up more than 60% this quarter before the impact of exchange. Several factors have driven this success including the worldwide psoriatic arthritis launch which, as you know, is off to a strong start. As a reminder, psoriatic arthritis received regulatory approval along with our early RA indication in the fourth quarter of last year, when we saw an increase in demand ahead of script growth and, as you'll recall, led to a particularly strong fourth quarter in the U.S. for HUMIRA with a percentage growth over 60%. Our best in class skin data is resonating clearly with dermatologists.

In fact our share of new prescriptions in the dermatology segment is around 10%. In RA, HUMIRA's prescription share of the anti-TNF self-injectable market continues to climb, outpacing both the market and our competition. Rheumatology total prescription share is now more than 35% in the U.S. All told, more than 150,000 patients have now been treated with HUMIRA around the world. We also continue to advance the development of HUMIRA for the treatment of numerous autoimmune diseases with EU marketing clearance for ankylosing spondylitis anticipated in the second quarter. Beyond ankylosing spondylitis, we continue to evaluate HUMIRA for the treatment of four additional autoimmune diseases including Crohn's disease, psoriasis, all sorts of colitis and juvenile RA.

In Crohn's disease, we're very much looking forward to sharing the results from our Phase III maintenance trial for HUMIRA at the upcoming Digestive Disease Week meeting in May. We've already presented promising Phase III results which show that HUMIRA reduces clinical remission in Crohn's disease patients. The maintenance trial is a second pivotal trial that will be included in our SBLA submission later this year. HUMIRA's self-administered dosing will offer patients a distinct convenience advantage over current therapies, considering that this disease impacts a young and much more active patient population. So collectably, our six follow-on indications for HUMIRA represent an additional 1 to 2 billion in incremental peak year sales opportunity beyond our base RA business.

Let's turn now to our cholesterol and triglyceride therapy, TriCor, which continues to perform well. Sales this quarter were up 20%, growing faster than the total cholesterol market. This year we expect sales of TriCor to exceed $1.1 billion, as we anticipate continued double digit sales growth. TriCor has grown significantly over the last few years and is among one of Abbott's now leading products. This is a result of the progress of our primary care sales force which has made this brand. They're considered one of the most productive sales forces in the industry in marketing to primary care physicians. We turn now to Kaletra, to the number one protease(ph) inhibiter in the world. And that grew 18% worldwide in the quarter, benefiting from last year's introduction to the more convenient Kaletra tablets in the U.S.

We continue to build momentum in our H.I.V. business, gaining back share in the PI market since the tablet launch. The new reduced pill count tablet form, which requires no refrigeration and can be taken with or without food, allows patients and physicians added convenience without compromising the strong efficacy and years of efficacy performance that we've had with Kaletra. We look forward to the launch of Kaletra tablets in markets outside the U.S. later this year. I'll turn now to Depakote, which grew double digits in the quarter, driven in part by the new Depakote ER bipolar indication, which as you may recall we got in the fourth quarter. Already used to treat epilepsy and migraine headaches, prevention of migraine headaches, Depakote ER offers patients with bipolar disorder the convenience of once daily dosing. Our ER formulation now accounts for approximately 50% of total Depakote prescriptions.

With regard to Synthroid, sales this quarter were $111 million and they continue to exceed our expectations in the U.S., on track to meet our goal this year of more than $400 million sales total. Despite the availability of generic therapies, the vast majority of patients and physicians continue to choose Synthroid. We have approximately 55% brand retention now, more than a year and a half after the entry of generics. With regard to Biaxin, sales declined in the quarter. This was a result of an unusually mild flu season as well as the ongoing and expected impact of generic competition for our immediate release formulation, which as you may recall, became subject to generic competition in May of 2005. As a reminder, we continue to promote Biaxin XL, our once daily formulation, which is not subject to generic competition.

Omnicef remains one of the fastest growing antibiotics in the U.S., with market share of more than 10%. Omnicef has also impacted this quarter by the weak flu season. However, sales did increase 6%. Turning to Ultane and Sevorane(ph), our anesthetic

product known as Ultane in the U.S. and Sevorane outside the U.S., that product grew single-digits worldwide in the first quarter with nearly 10% growth in the U.S. We do remain committed to this brand for the long-term. Looking to the second quarter in our global pharmaceutical business,and adjusting for the impact of the BI products, we expect mid single-digit sales growth with higher growth anticipated in our U.S. Pharma business compared to our international Pharma business.

Let me turn now to TAP, our joint venture, where Prevacid sales were up 4%, consistent with TAP's forecast, and the Lupron further strengthened its position as market leader in this competitive market. Sales were flat in the first quarter, which was also in line with TAP's expectations. With regard to TAP's late stage pipeline, TAK-390MR, TAP's new modified release proton pump inhibitor, continues to progress in Phase III clinical trials. TAP is encouraged by patient enrollment in these Phase III trials, with a third of total patients already enrolled. Also in the first quarter, TAP submitted its formal responses to the FDA's approvable letter for Febuxostat, TAP's gout compound. Let me turn now to our medical products businesses, which collectively had a strong first quarter, delivering double digit sales growth. Abbott diabetes care delivered mid-teen sales growth worldwide before the impact of exchange, while continuing to gain market share. In fact, our share recently exceeded 20% globally.

In the quarter, we received approval for FreeStyle Freedom, a blood glucose monitor which provides patients with the results in an average of five seconds, requires the smallest blood sample size at 0.3 microliter and features a large, high contrast display for easy to read results. Freedom represents another step forward in our efforts to reduce the pain and inconvenience patients are experiencing with glucose testing. Regarding FreeStyle Navigator, our continuous blood glucose monitoring device in development, we anticipate a launch in the second half of this year. We will present new and compelling accuracy data on Navigator at the upcoming American Diabetes Association meeting this June. We believe these results, as well as our past clinical data, justify a reportable result indication allowing patients to act on the results in most situations.

Abbott plans to initially pursue, however, an injunctive indication for FreeStyle Navigator followed by the reportable result claim in the post-approval period. Our strategy here allows us to get the superior results of this clinical technology into the hands of patients as quickly as possible. In our core immunochemistry and hematology business, sales were up 3.5% before the unfavorable effect of exchange, as we continue to expand system menus on both Architect as well as AxSym. During the quarter, we placed approximately 350 new Architect analyzers, on track to meet our goal of more than 1800 placements this year. Recall that last year we placed more than 1600 new systems and that surpassed our goal. We also continue to strengthen our menu of offering on assays. In the quarter we filed four additional PMA submissions for hepatitis assays for AxSym and Architect.

The addition of these and several other assays expected in 2006 will provide our customers with a highly advanced testing platform. In addition, the U.S. prism launch continues to progress well, with the planned launch of another prism assay, hepatitis B surface antigen, in the coming months. In Abbott molecular sales grew in the quarter nearly 25%, strengthening our presence in the large and rapidly growing molecular diagnostics market. We're pleased with the international launch of HIV and HCV Real-Time PCR test on the m2000 platform. Recently launched Real-Time tests for chlamydia and gonorrhea are also picking up share. In the U.S. we expect to introduce Real-Time PCR tests beginning later this year. Point of care sales grew double digits in the quarter, driven in part by sales of our i-STAT troponin assay, which is used to better diagnose a heart attack at the patient's bedside. Also in cardiac point of care testing, we recently launched CKM B assay. And we'll launch a BNP test this summer.

In the first quarter we launched the Chem8 cartridge, which includes eight of the most commonly requested metabolic tests. With i-STAT Chem8, healthcare professionals can assess the patient's metabolic status in approximately two minutes. And then make on-the-spot treatment decisions. Looking ahead to the second quarter, in our worldwide reported diagnostic division, we expect sales growth in the mid to high single-digits with Abbott diabetes care growth in the mid-teens. In nutritionals, Ross U.S. nutritional sales this quarter were up 13% driven in part by our revised agreement for Synagis, as well as solid sales for Ensure, PediaSure and ZonePerfect brands. In infant nutritionals, we continue to gain market share in the quarter, which will help reported sales growth in the coming quarters throughout the year. Internationally, nutritional sales were exceptionally strong with sales up nearly 21% before the effect of exchange.

As Tom mentioned, we've made a strategic decision to manage international nutritional separately from international pharmaceuticals. Going forward, we'll refer to our international nutritional business, as you'll see in our release, as Abbott Nutrition International. Later this week, we will break ground on a new state-of-the-art manufacturing facility in Singapore, that will allow us to keep pace with the rapidly growing demand for nutritionals in the Asia Pacific region, particularly China. The new plant is scheduled for completion by the end of 2008. Looking ahead to the second quarter in nutritionals, we expect double digit growth internationally and low single-digit growth in the U.S. Let me now turn to our vascular business, where sales increased more than 50% in the quarter. The U.S. launch of StarClose continues to exceed our expectations. As a new method of vessel closure, StarClose is changing the current standard of closure and is having the same success in the U.S. as it had in Europe, where Abbott's European vessel closure market share has nearly doubled since the launch of StarClose.

In carotid stents, Xact and Emboshield continue to perform well, gaining significant market share since its launch last year. We continue to enroll patients in our act one clinical trial, evaluating the use of carotid stenting with embolic protection in a broader asymptomatic patient population. In our vascular pipeline, our drug eluding stent, ZoMaxx, continues to progress. We presented ZoMaxx clinical trial results at ACC from our IVIS study, which showed very good angiographic results at four months. In addition, the safety profile of ZoMaxx was encouraging with no mace events. We'll present results from our European trial, ZoMaxx One, this fall at TCT. We remain on track for CE Mark and European launch of ZoMaxx in the second half of this year. We also continued our enrollment in ZoMaxx Two, our North American clinical trial.

During the quarter we received authorization to expand to our full complement of clinical trial sites, which will accelerate the pace of enrollment. We expect to complete enrollment in ZoMaxx Two around the end of this year. With regard to our Guidant vascular acquisition, as Tom mentioned, we'll host a special conference call after the transaction is closed. Rick Gonzalez will join me and Tom on that call to further discuss the strategic, commercial and financial benefits of this transaction. Looking ahead to the second quarter, our Abbott vascular business, again, will deliver strong double digit performance, before adding the impact of Guidant, driven by continued success of StarClose and Emboshield. So, overall, we're very pleased with the first quarter performance across most of our major branded pharmaceutical products, as well as our medical products businesses, which grew double digits. We met our financial expectations and we took further actions to strengthen the mix of our broad-based business model. With that, we'll now turn the call over to your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. [OPERATOR INSTRUCTIONS] Our first question is from Glen Reicin from Bear Stearns.

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Is this Glenn or Rick Wise?

Rick Wise - *Bear Stearns - Analyst*

I hope it is Rick Wise. If you can hear me, it is Rick Wise. If you can't, it is Glenn.

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Hi, Rick.

Rick Wise - *Bear Stearns - Analyst*

How you doing? Couple of questions. Just -- as long as we've got you, Tom, can you update some of your cost restructuring and cost reduction initiatives, where things stand on that, and any other measures contemplated this year?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Well, we're right on track. Everything that we talked about in the first and second quarters of last year is deep into execution and we are seeing the benefits as we discussed. We saw some last year and we continue to see them progress throughout 2006. We had a -- some benefit in the quarter that's part of our gross margin improvements you saw. And again, the peak of this program, which is $200 million overall and the majority of which being in gross margin, we'll be hit that peak level later in '07. We're right on track and we did see some benefits in the quarter.

Rick Wise - *Bear Stearns - Analyst*

And to follow on to that, so, all things equal then, and I really mean all things equal, we should see steady sequential improvement in gross margins because of these cost reductions?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Yes. I mean as I look out over the year, we do see the margin continuing. There may be some quarterly fluctuation on that, but for the full year, even if you exclude the BI effect, we do see some margin improvement for the year. And we will give you a little more color on the quarterly gating of that as we move further through the year.

Rick Wise - *Bear Stearns - Analyst*

Ok. And just -- my second question is just sort of a fishing expedition on the Pharma fund. Maybe you could talk a little bit about Pharma pipeline priorities and what we should be looking for, what kind of milestones or key filings you're most focused on, Tom, over the next 12 to 18 months, like Abbott 874 or 751 as key events. Have they changed with the change and with just departure? And as part of that, we haven't heard much about Simdax or Xinlay, are they truly dead or might we hear more about them again this year? Thank you very much.

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Certainly nothing has changed since our organizational change. Everything is consistent with what we've talked about before. Obviously the most important pipeline opportunities for us near-term are the number of indications for HUMIRA, which John, again, went through today. And as you can hear, we're right on track with all of our programs and very optimistic about the near-term and medium term sales potential for adding there. Levosimendan or Simdax, we're still reviewing our filing alternatives and we'll be in discussions with the FDA about that. So, no real news there. And Xinlay we should have this 244 study concluded by the summer, right on track for that. And later in the year, then we'll evaluate based upon the data whether we have a drug in good shape to file. And so, really, the word you used dead is certainly not accurate for Xinlay. We're hopeful that this trial will be successful and we'll see what happens with it. And the other key programs, you did mention ABT874, from our perspective that's our anti-aisle 12 biologic in Phase II. We feel very optimistic about that and that's a key program for us over the medium term.

John Thomas - *Abbott Laboratories - VP IR*

Thanks, Tom.

Operator

Thank you. Our next question is from Mike Weinstein from J.P. Morgan.

Mike Weinstein - *JP Morgan - Analyst*

Thank you. Can you hear me?

John Thomas - *Abbott Laboratories - VP IR*

Yes, hi, Mike.

Mike Weinstein - *JP Morgan - Analyst*

I apologize. As you can imagine, we're jumping between conference calls this morning. Could you talk now that we've seen the first quarter with kind of the post-BI era, where you think you see gross margins going, maybe over the next several quarters? I think we were able to pretty accurately model the way things played out in this first quarter here. But with -- as we think about the drivers of the Company's top-line, at least within particularly the pharmaceutical and the devices business, seems like there should still be some room for some margin expansion. I just want to make sure we have the right read there and then we have some pipeline follow-ups. Thanks.

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Again, when we look at the gating, I think if you were to look out over the next three quarters, stable to slightly beneficial is the way I'd -- or slightly better compared to the first quarter is the way I describe it. Our real margin kick for the year, on a quarterly basis, will come more in the fourth quarter, which will get our full year average up even beyond that BI benefit we've talked about. So, I think the first quarter is pretty representative of what you're going to see over the first three, maybe a little bit of improvement, and then a nice kick up in the fourth quarter.

Mike Weinstein - *JP Morgan - Analyst*

Ok. And then I missed -- I might have missed this because I jumped in late on the call. But did you provide an update on the pipeline time lines for the additional indications for HUMIRA? And then also for the -- did you provide any update on the TriCor combinations?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

John will take the HUMIRA and the TriCor.

John Thomas - *Abbott Laboratories - VP IR*

Hi, Mike. Yes, for HUMIRA, as you know, last year, last October, in fact, we made a global submission for ankylosing spondylitis. We did mention in the call script that we are looking forward to that approval here internationally very, very shortly. That would be our third disease state indication in addition to, obviously, the base RA indication and then the psoriatic arthritis(ph) in early RA indications that we got in the second half of last year. Also at the end of last year, as you might recall, we submitted RA in Japan. That takes a little bit longer than a U.S. type approval, so you'll probably see that in the first half of next year. Other

indications that are moving along, obviously, the Crohn's Phase III data that we're going to be presenting, the maintenance data coming in May at DDW and making a submission shortly thereafter, or at least sometime later this year we'll make a submission on that as well. Phase III trials for psoriasis continue to progress well.

We expect to submit in 2007 for that indication. And then Phase II/III trials are starting this year for all sort of colitis, which I also talked about. And then JRA is another one that we've talked about in the '06-'07 time frame. We're exploring HUMIRA for some other indications, which we haven't talked about a lot right now. Probably aren't prepared at this point to get into. But we're looking at some other disease stated indications for HUMIRA as well. With TriCor, we did have, as some people had noted and found on a government clinical trial website, a new program, ABT335, which is a next generation Fenofibrate that we're not in a position right now to give a lot of specifics on, but we're studying it in terms of safety and efficacy for a combination with a number of different statins. And as we said before, we have combination work that we're doing. We continue to evaluate that work and continue to move forward on development of potential therapies in that area.

Mike Weinstein - *JP Morgan - Analyst*

Good update. Two quick follow-ups. One, the share count declines sequentially in the quarter. Is that a reflection of the Company buying back stock?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

As you know, we were pretty active in the second half of '05, repurchased well over $1 billion and we continued that activity fairly aggressively in the quarter.

Mike Weinstein - *JP Morgan - Analyst*

Strategically, with the assumed closing of the Guidant transaction here hopefully within the next few days, how do we think about M&A post Guidant in terms of the Company's ability to take on additional transactions in the subsequent quarters over the next 12, 24 months. Thanks. That's it.

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Well, I think certainly this is a strong Company from a financial perspective. We have plenty of capacity to do things if we choose to do that. I think right now, though, the important thing is for the Company to focus on doing Guidant well and integrating the business well and really getting these critical stent R&D programs moving forward right on track and delivering on that acquisition. So clearly, the management is going to be focused on that and we need to execute well.

John Thomas - *Abbott Laboratories - VP IR*

Ok, next question.

Operator

Thank you. Our next question is from Glen Reicin from Morgan Stanley.

Matt Miksic - *Morgan Stanley - Analyst*

Hi, it is Matt Miksic filling in for Glenn. Hi, Matt. Thanks for taking the question. Hi, John. So, a couple of questions. One on -- we saw some strength, unexpected strength, to our estimates anyway, in other nutritionals. Just looking for maybe some color on the composition of that growth or the composition of that number.

John Thomas - *Abbott Laboratories - VP IR*

Well, as you know, we revised our Synagis agreement with MedImmune last year. We announced that sometime mid or third quarter of last year. That was expected. We knew we were going to earn, potentially earn higher revenues as a result of that agreement. That was fully expected. We did have those in the quarter per that contract where we had an incentive contract to have higher earned revenue if we met certain incentives and we did do that per the deal. So, that will moderate as we go throughout the year. So, really, that's what's driving it. We also had pretty good sales of Ensure, PediaSure and ZonePerfect in the quarter.

Matt Miksic - *Morgan Stanley - Analyst*

Ok. And then just a quick one on diagnostics. It looked like J&J's clinical numbers were pretty good yesterday. Your U.S. numbers look actually pretty good today. Anything you can tell us about what you're seeing there between either chemistry or immuno or automation or anything that -- or the market that would help us understand some of the rebound there?

John Thomas - *Abbott Laboratories - VP IR*

Well, I think it is just a function of the continued progress that that division is making in launching the systems we talked about, over 1600 placements last year which was, I believe, I'm pretty sure, the most in the industry. Second only probably to Roche in terms of total placements, and well ahead of most of the competition. This year or this quarter, we had more than 350 and we talked about more than 1800. We're also expanding our menu and that's helping as well as we have more of a full complement of assays, will make us much more competitive. The market itself is -- continues to be a pretty challenging market and it is just a question of us really filling out our menu, continuing to place systems, continuing to execute, working through the product availability questions that we had a couple of years ago. And being able to deliver for customers on a consistent basis the products and the assays that they're looking for.

We're becoming a much more reliable supplier and probably winning about 50% or more of the new accounts that we're going after. So, this will have, hopefully, a continued residual effect as we go through the rest of the year, particularly in the U.S. where if we meet our forecasts, and right now we expect that we will, we'll see a movement to positive growth, particularly in the back half of this year. That's kind of what's going on overall. I think it is continued slow, steady progress. That's the way I'd describe it.

Matt Miksic - *Morgan Stanley - Analyst*

Ok. And does your -- some of the testing panel adds that you have toward the end of this year, does that effectively put you into more -- it gives you sort of more credibility to get into the short list of evaluations earlier in the year? In other words, are you able to now start to get into accounts knowing that these things are coming. Are you close enough to the point where you can promise by the end of the year you'll have the rest of whatever the panel is -- ?

John Thomas - *Abbott Laboratories - VP IR*

I think there is certainly something to that because as we expand, particularly the hepatitis menus on AxSym and Architect, we're looking at launching seven assays, we're gaining more credibility with customers as we execute and meet these time lines that we've assured them that we can deliver on. So getting those seven hepatitis assays gets us to probably 90% plus of all of the tests that we need on any particular system to run. So, that's clearly having an impact. I would also note that our hematology business continues to do well, as we've launched the various systems there. And that business segment for us has done well, done particularly well in the first quarter. It was up around 10% on a performance basis. So, that's an improvement, too. These two new systems that we've launched, we're planning to launch, will also help that, as well.

Matt Miksic - *Morgan Stanley - Analyst*

Great. Thanks.

John Thomas - *Abbott Laboratories - VP IR*

Ok.

Operator

Thank you. Our next question is from Glenn Novarro from Banc of America.

Glenn Novarro - *Banc of America - Analyst*

Good morning, guys. Two questions. One on Ultane in the U.S. Obviously we're waiting for a Baxter launch. I'm wondering if you can go through kind of the preparations that Abbott's making ahead of that launch. What are you doing with certain hospital contracts or customers. And then give us your level of confidence that you'll be able to defend market share and what you're assuming for pricing. And then secondly, the Omnicef patent comes off or will expire next year. Maybe talk about what Abbott is doing to defend that franchise. Thanks.

John Thomas - *Abbott Laboratories - VP IR*

Ok. Let me take a stab at that. Maybe Tom can jump in, too, with some thoughts as well. On Sevoflurane I'd say that we're obviously very pleased with the progress that we made. In the first quarter we did very well in the U.S. We do anticipate that a competitor will come to market with a generic product. We've planned for that. That was in our initial 2006 plan. We think we've been very realistic, reasonable about taking down our expectations for Sevoflurane for the full year. We still expect that to happen. But given that, we have had many months here to go out and solidify our position with customers because, as you know, we're the leading Company in this market.

We have more than 150,000 vaporizers installed in hospitals around the world that we service, maintain and have contracts on. Those are important dynamics in a market that's unlike any other generic market, as you probably know. It is not a community-based type market. You're looking at complex dynamics with manufacturing, with the install base, and so forth. And so it is not going to have the same dynamics as a typical community-based pharmaceutical product. We've also, as I said, mentioned, that we've had a lot of time here to secure contracts. We've had a lot of success in securing the vast majority of major accounts in the U.S. So we feel pretty good about our position. But that being said, we do anticipate that generic competition will come. We saw it internationally in China and Japan. We did not have a position in China. We've subsequently launched in China ourselves. So an at-risk generic launch is still certainly a possibility. Again, we remain in litigation with that

competitor. We have other patents that we're in litigation with them on. And this current trial that was ruled on last fall is still under appeal, as well.

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

I would just add on SEVO, and John basically said it, we've been pretty realistic of that. With a competitor out there, there will be some market share impact. And contrary to the first quarter, when we saw really decent growth in SEVO when the competitor wasn't very active, we would expect to see lower sales both internationally and in the U.S. in future quarters. But again, competitively I think we've positioned ourselves well to have that be fairly well controlled.

Glenn Novarro - *Banc of America - Analyst*

Just a follow-up, has there been any activity with Baxter in the trade yet or is it still quiet in the U.S.? I'm just referring to the U.S.

John Thomas - *Abbott Laboratories - VP IR*

In the U.S. we've seen very little, if any, activity on the retail side. We're understanding that they have shipped some to wholesalers, but we've seen no activity in terms of commercial impact.

Glenn Novarro - *Banc of America - Analyst*

Ok. Then just to follow-up on Omnicef, kind of the patent situation and the defense there that you guys will have.

John Thomas - *Abbott Laboratories - VP IR*

Sure. So, Omnicef, which is, as you know, is one of our leading NI infective products, has done exceptionally well, continues to gain market share. Grew about mid single-digits in the first quarter. We expect that to accelerate as we go through the year as we work through this unusually low flu season, weak flu season. That pan(ph) situation is one where we have a compound patent that extends until mid 2007. We also have what we believe is a very strong formulation patent that covers the crystal form of the product that extends to 2011. And we intend to vigorously defend our intellectual property, as we always do, and at least recently, we've been very successful doing. So, we're confident in the IP that we have around that product going out to 2011. We'll certainly defend as appropriate and as we see challengers.

Glenn Novarro - *Banc of America - Analyst*

Are you aware of any generics that have filed on Omnicef?

John Thomas - *Abbott Laboratories - VP IR*

I'm not currently aware of any generics.

Glenn Novarro - *Banc of America - Analyst*

Ok, thank you.

Operator

Thank you. Our next question is from Katherine Martinelli from Merrill lynch.

Katherine Martinelli - *Merrill Lynch - Analyst*

Oh, thank you. Good morning. I apologize if you touched on this, but just wanted to get your thoughts with the Crohn's disease data coming out next month at DDW. If you could just remind us on the timing and what type of impact you think that could have on the HUMIRA franchise longer term. And then I have a follow-up question, please.

John Thomas - *Abbott Laboratories - VP IR*

The DDW Crohn's data is the -- will be the maintenance data. We already saw very strong induction data last year, as you know. We expect that that will obviously help us going forward. But we don't have the indication yet. We'll be filing for the indication later this year and that will help solidify that market opportunity for us when we do come to market. But we obviously can't market it at this point for Crohn's off label. We certainly wouldn't do that.

Katherine Martinelli - *Merrill Lynch - Analyst*

John, what do you think the actual size or market potential for Crohn's disease is?

John Thomas - *Abbott Laboratories - VP IR*

Well, it is estimated that the Crohn's biologic market is probably somewhere in the 350 to 400 million range by say 2009, 2010 in Europe. And it is probably going to be in excess of $1 billion by '09 -'10 in the U.S.

Katherine Martinelli - *Merrill Lynch - Analyst*

And then secondly, just with respect to Navigator, what's your latest thought in terms of additional clinical work that would need to be done for a replacement claim? And just any thoughts on longer term initiatives to marry that up with a pump.

John Thomas - *Abbott Laboratories - VP IR*

We're interested in that possibility. We did get approval for our own pump system called Aviator. We're evaluating that opportunity. It is certainly an area we're interested in longer term to hook it up for an open loop type system. With regards to reportable results or what people used to call replacement claim, we have that data already. We're working with the FDA on that data right now. You'll see some of that data presented at ADA in June that I talked about, the home use study and the accuracy data. We think that data is very strong. So, our intent here is to get it on the market with an adjunctive(ph) claim so we can get it in the hands of patients sooner. And then continue to work with the FDA post-approval of that adjunctive claim with the data that we currently have and that they will be looking at, have looked at, and will be looking at here in the coming weeks and months to get a reportable result later on.

We just made a strategic change of direction to get the product in the hands of patients sooner and then continue this on a parallel path. I can tell you that so far that data has been well-received. We're looking forward to it. We obviously have what we think are some key advantage versus competitive products that are out there in terms of use of the patch. The wear time is longer, should be longer with Navigator, five days versus three days. More accurate readings, we believe. More current readings, you can read it every one minute versus five minutes for the competitors. So, we think our data is superior. We're very much looking forward to getting in the hands of patients soon.

Katherine Martinelli - *Merrill Lynch - Analyst*

Ok, great. Thanks.

Operator

Thank you. Our next question is from Larry Keusch from Goldman Sachs.

Charlie - *Goldman Sachs - Analyst*

Hi, everyone, this is Charlie on for Larry.

John Thomas - *Abbott Laboratories - VP IR*

Hi, Charlie.

Charlie - *Goldman Sachs - Analyst*

How's it going?

John Thomas - *Abbott Laboratories - VP IR*

Good.

Charlie - *Goldman Sachs - Analyst*

Just a couple of questions. First of all, could you speak to the sequential downtick we saw in U.S. HUMIRA sells on an absolute basis. I imagine that there may have been some element of seasonality there, just like we saw in the year ago quarter. But the decline came in a little bit higher than we what we had been expecting. And I guess with that said, we also kind of saw the same progression with Synthroid, where we saw a sequential downtick. Could you just speak to the trends that we saw there, please?

John Thomas - *Abbott Laboratories - VP IR*

Sure. It is very explainable. Obviously HUMIRA in the U.S. had an outstanding quarter in the fourth quarter, well above trend line because of the early RA indications, sorry atic arthritis indication where there was a lot of demand for that product based on those indications. The U.S. situation was we had almost 40% growth in the first quarter. But if you take the two quarters and blend them together, that's about a 50% growth rate and that's right in line with script trends. So, that's really what's going on there. The script growth, as you probably know for HUMIRA, has been very strong. We continue to gain market share in both our base RA indications as well as the dermatology market. So there is no problem there. There's no worry for us. We reaffirmed our full year target for global sales in excess of 1.9 billion for HUMIRA. You'll be seeing more data on the drug as we go throughout the year. By all accounts we're doing very well there. We're continuing to expect to do very well as we go forward.

Synthroid, really, that's a product where we've continued to defend against generic competition. Our full year expectations are in excess of $400 million for the year. We've done, I think, surprisingly well in defending that franchise and retaining brand retention that's now in the mid 50s type percent. It has been a slow, steady kind of gradual decline of that product which, from a financial perspective, is obviously a positive for us as we managed that down and continue to promote the product because

patients and physicians want that product. It is an excellent product and it is a low-cost product. It is not one where generic competition would traditionally have a large impact because of the price differential really isn't that meaningful. And it is one, as you know, there has been a lot of controversy and discussion about the levels, therapeutic levels, and how to step those down and retesting and the cost of those. So, it is a situation where we feel very comfortable that we can meet our goal this year of excess of $400 million.

Charlie - *Goldman Sachs - Analyst*

Thanks, John. And actually, just going back to HUMIRA real quick. To what degree or rather are we seeing any impact from the leveling of the Medicare reimbursement playing field to Medicare part D coming through? And to what degree or how should we start dialing that in for the remainder of the year? And I guess while we're on Medicare part D, could you speak to the strength in Prevacid during the quarter? It seems that the class in general could be on track to come in ahead of our expectations. I'm just wondering if that might have anything to do with part D.

John Thomas - *Abbott Laboratories - VP IR*

Yes, well, with Medicare part D, we do expect it to have a modest impact on HUMIRA,this year at least, and it is really about patient access. We're very pleased that it can now get in the hands of more patients. We have very broad formulary and Medicare access for HUMIRA, as well as most of our major branded drugs. So, it will have a modest incremental impact for -- positive impact for HUMIRA going forward. And what was your other question? Prevacid. MMA has also had a little bit of a positive impact for Prevacid, as it has for some other PPIs, The class has stabilized to some degree. TAP has seen some modest share erosion in Prevacid. But we've been very conservative from the perspective in planning for that for both Lupron and Prevacid this year. And thus our total TAP net income contribution for the year is one that's very realistic and we're right on track to meet that. Next quarter we expect the TAP income to be higher than it was this quarter and we're right on track for that 450 to 475.

Charlie - *Goldman Sachs - Analyst*

Thanks, John.

John Thomas - *Abbott Laboratories - VP IR*

Thank you.

Operator

Our next question is from Sara Michelmore from Cowan & Co.

Sara Michelmore - *Cowen & Co - Analyst*

Good morning.

John Thomas - *Abbott Laboratories - VP IR*

Hi, Sara.

Sara Michelmore - *Cowen & Co - Analyst*

I guess, John, just a little help on the diagnostics business, if you could. Since the molecular and the point of care businesses have been growing so rapidly, my guess is in the U.S. that those two businesses combine now account for probably at least a third if not closer to 40%, 45% of that U.S. revenue base if you exclude the diabetes business. I'm just wondering if I'm in the right ballpark there in terms of the contribution of those two businesses to diagnostic.

John Thomas - *Abbott Laboratories - VP IR*

You know I don't have it off the top of my head. They're still fairly small. That might be a little aggressive in terms of their size and their total contribution. They're getting much bigger. They're growing rapidly. But they are still pretty small. The molecular business this quarter approaching 40 million. The point of care business was 32, 33 million.

Sara Michelmore - *Cowen & Co - Analyst*

Ok.

John Thomas - *Abbott Laboratories - VP IR*

If you look at that versus, obviously, immunochemistry at over 500 million is the major contributor and then our diabetes business, which this quarter was over 270 million. Those are the big pieces.

Sara Michelmore - *Cowen & Co - Analyst*

Ok. And are the molecular and point of care businesses still primarily U.S.-based businesses in terms of the sales?

John Thomas - *Abbott Laboratories - VP IR*

Yes.

Sara Michelmore - *Cowen & Co - Analyst*

Ok. That's helpful. And any update on Vicodin CR or Asoprisnil?

John Thomas - *Abbott Laboratories - VP IR*

Asoprisnil, TAP continues to have discussions with the FDA. No decisions have been made on that. Vicodin CR continues to progress in Phase III development and so there is no meaningful update to give you there, other than things continue to move forward and we're looking forward to getting that submitted to the FDA sometime in the next '07-'08.

Sara Michelmore - *Cowen & Co - Analyst*

That's very helpful. Thank you.

Operator

Our next question is from Bruce Cranna from Leerink Swann. Hi, good morning, guys.

Bruce Cranna - *Leerink Swann - Analyst*

John, just a follow-up on HUMIRA. Can you tell us have you had a pricing change there in the last six months by chance?

John Thomas - *Abbott Laboratories - VP IR*

The last price increase that I'm aware of was last August, where there was a modest price increase, I think it was a 4% or so.

Bruce Cranna - *Leerink Swann - Analyst*

I can't recall, in PSA, that indication, are you guys marketing HUMIRA as every other week dosing or how does that work?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Yes. That's the standard RA dosing, every other week.

Bruce Cranna - *Leerink Swann - Analyst*

And then on diagnostics, I know you mentioned, at least I think you said 3.5% was the growth of the core diag franchise in the quarter. Was that a worldwide number or -- ?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Yes, that's worldwide.

Bruce Cranna - *Leerink Swann - Analyst*

So, can you give us some sense as to U.S. versus O.U.S.?

John Thomas - *Abbott Laboratories - VP IR*

U.S. was slightly down. O.U.S. was up in the low to mid single-digits.

Bruce Cranna - *Leerink Swann - Analyst*

Ok. And then lastly, on the TAP side, does the guidance for the year include -- are you guys sort of factoring in Febuxostat approval there or does it really not matter because if you get it, the costs offset the revenues?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

You've characterized that properly. Febuxostat from an income point of view is a neutral, regardless of approval or not this year.

Bruce Cranna - *Leerink Swann - Analyst*

Ok. Last question, I'm sorry. ZoMaxx Two, can you give us an enrollment number at the end of the quarter?

John Thomas - *Abbott Laboratories - VP IR*

ZoMaxx Two, we haven't provided a specific update since ACC. And since that time we continue to enroll patients. We are slightly over 300 patients now. But since we've gotten the approval from the FDA to go to the full cohort of sites, we expect that to accelerate and we continue to expand sites every week. Obviously with the close of the Guidant deal, that should also help accelerate enrollment. So we're on track to complete enrollment of the U.S. trial around the end of the year or early next year.

Bruce Cranna - *Leerink Swann - Analyst*

That's helpful. Thank you.

John Thomas - *Abbott Laboratories - VP IR*

Thank you.

Operator

Our final question is from Matthew Dodds from Citigroup.

Matthew Dodds - *Citigroup - Analyst*

Thanks. Just a quick question on Synagis. John, you said that for U.S. Nutritionals in the second quarter, I think it would grow in the low single-digits. Does that mean that for Synagis in the second quarter, you don't have the performance incentive or is that just conservative assuming you might get it again but it is not a guarantee?

Tom Freyman - *Abbott Laboratories - EVP Finance & CFO*

Synagis' - this is Tom. Synagis' revenue is heavily weighted to the first quarter from a commissions point of view. So, there is usually some modest benefit in the second quarter. But as you know, the RSV season is really late in the year and early in the year. So there will be relatively modest impact of Synagis in the second quarter.

Matthew Dodds - *Citigroup - Analyst*

Thanks, Tom. One last question. How is oral Zemplar been doing recently? Has that ticked up at all?

John Thomas - *Abbott Laboratories - VP IR*

Slightly. It is still a pretty modest opportunity. We've got a very modest number in our plan for '06. It is less than a $50 million type product. And as we've always said, this is one where it is going to take a lot of education to grow the market. It is a longer term growth cycle. One that we're not counting on for any meaningful impact this year, but could be in two to three or four years down the road It could be a nice size product.

Matthew Dodds - *Citigroup - Analyst*

All right, thanks, John.

John Thomas - *Abbott Laboratories - VP IR*

Ok, thank you. All right. So that ends our conference call. And again, we look forward to having a separate call on the Guidant deal, where we'll have Rick Gonzalez on our call with Tom to talk about that and we expect that to be very soon. We look forward to talking to you then. Thank you.

Operator

thank you. This concludes today's conference. You may disconnect at this time.